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THE FOLLOWING BASRAH 000021 DTG P 261408Z APR 09 SENT
ACTION TO BAGHDAD SECSTATE WASHDC INFO IRAQ COLLECTIVE
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QUOTE:

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C O N F I D E N T I A L BASRAH 000021

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E.O. 12958: DECL: 4/26/2019
TAGS: [PGOV](#) [PREL](#) [ECON](#) [EINV](#) [IZ](#) [IR](#)
SUBJECT: BASRAH: NEW TWIST IN IRAN-BASED HOUSING PROJECT

REF: A) BASRAH 0019; B) BASRAH 0017; C) BASRAH 0014; D) BAGHDAD 0768

CLASSIFIED BY: Ramon A. Negron, Director, Regional Embassy
Office Basrah, Department of State.
REASON: 1.4 (d)

Summary

1. (C) Basrah Investment Commission (BIC) advisor Ihsan Abdul-Jabar told REO that, contrary to widely held assumptions, the BIC has not submitted to Baghdad for approval a proposal for a USD 1 billion Iran-based Karman Company housing and development project in Basrah. In strictest confidence, Ihsan told REO officers that he and other BIC officials, and at the behest of then-Governor Mohammed Wa'eli, have stalled this project, warding off an aggressive Iranian push for the project's approval. Karman, suspicious of this delay, recently re-packaged their investment proposal so that the entire project could be approved by the BIC alone, without the need for central-government approval. Ihsan said the BIC will continue to stall the project, but is unsure how much longer they can delay. End summary.

Highly publicized Iranian development project

2. (C) Basrah Investment Commission (BIC) advisor and frequent REO contact Ihsan Abdul-Jabar initially called on REO officers on April 9 to brief on the status of an anticipated USD 400 million "Sports City" project to be built in Az Zubayr, outside of Basra city. Ihsan also talked about the status of a highly publicized proposal from Iran-based construction firm Karman to build a vast housing and development complex in Basrah (refs B and D). According to BIC and media reports, Karman submitted a proposal in February 2009 that would represent Iran's largest investment in Iraq since 2003. The project envisions some 5,000 housing units, a shopping mall, scores of stores, three-star and four-star hotels, villas, a supermarket, mosques, health facilities, and electricity generating and water treatment facilities. (Note: Ihsan said that Karman, and its parent Abb Hayatt, are owned by former Iranian president Rafsanjani's brother-in-law. End note.)

3. (C) According to Ihsan and other local contacts, the price tag has varied from just under USD 1 billion to well over that amount. The lower price was meant to expedite the approval process in Basrah and Baghdad, but Ihsan confided that the project will likely be much more costly and take longer to complete. (Note: Although the National Investment Law does not make it very clear, standard practice in Iraq has been that investment projects up to USD 250 million only require BIC approval; projects between USD 250 million and USD 1 billion

require approval of the BIC, the National Investment Commission (NIC) and the Prime Minister (PM); and projects greater than USD 1 billion require approval by the NIC, the PM and Council of Ministers. End note.) It has been widely reported that the BIC approved the license for the project, and sent it on to PM Maliki for his approval.

Dragging their feet on the approval process

¶4. (C) However, Ihsan revealed that the project in fact had never left the BIC, and was never sent to Baghdad. (Note: Ihsan requested strictest confidence about this disclosure. End note.) Ihsan said that his close friend and mentor, outgoing Governor Wa'eli, encouraged him not to approve or send the proposal to Baghdad, yet to publicly claim otherwise. Ihsan said that several other BIC members - but not all - also opposed the project. "Publicly we say we welcome this project, but in reality we don't. For them [Iran], this project is not just about housing, but part of a much larger Iranian national strategy for control over Iraq." Ihsan claimed that neither BIC Chairman Haider Ali nor Prime Minister Maliki know about this BIC maneuver.

Iran repackages the deal

¶5. (C) According to Ihsan, an impatient and increasingly suspicious Karman recently sent its local ally, outgoing Basrah Provincial Council (PC) Chairman Mohammed Sadorn Siher al-Obadi, to the BIC to "see what was going on." (Note: According to local contacts, al-Obadi is a dual citizen of Iraq and Iran, strongly pro-Iranian and anti-American. End note.) Al-Obadi told BIC officials that Karman had been in touch with GOI officials in Baghdad, who told Karman that they had not received the investment proposal from BIC. According to Ihsan, in an attempt to speed up the approval process, Karman then submitted a new proposal, consisting of four separate projects, each totaling just under USD 250 million, which does not require PM approval. Ihsan said that Karman and its Iranian allies could now focus all their lobbying attention on BIC alone.

Project evokes general Basrawi unease with Iran

¶6. (C) While there is no polling data on the issue of Iranian influence and investment in Basrah, there is ample anecdotal evidence that it is controversial, and at times outright unwelcome (refs B and D). Basrawis, who suffered disproportionately during the 1980-88 Iran-Iraq War, often express discomfort with Iranian influence, including legitimate economic activity. According to BIC officials and several REO business contacts, Iranian investment interest in Basrah has increased in the past year, apart from the proposed mega project. (Note: These same business leaders cite the fact that there are few other ready investors. End note.) Ihsan said that for Iran, this project is not just about housing, but part of a wider Iranian national goal of strategic dominance, with ulterior political motives, and repeated a commonly heard phrase here that "a flower offered from Iran never smells good." He questioned the very economic assumptions of the project, saying that the numbers "do not add up," and that there must be a hidden Government of Iran subsidy, especially given all the planned "extras" - an electrical generator, water purifier, luxury villas, mosques.

Possible French, Canadian proposals, but not any time soon

¶7. (C) Ihsan said that BIC was courting other foreign investors, specifically a French and a Canadian firm, which visited Basrah and were shown specific areas of the city where land was available. In contrast, BIC still had not identified specific locations for Karman. Ihsan, however, lamented that these firms were far behind Karman in their level of commitment to the project.

Running out of excuses

¶8. (C) Earlier, Ihsan said that he was to have led a small BIC

delegation to Tehran on April 15, to follow up with Karman on progress. One week before this appointment, he expressed reluctance about going, given his view that Iranians were aware of some BIC officials' desire to thwart the deal, and feared Iranian strong-arming and even intimidation. He ended up not going, claiming an illness in the family. Ihsan said BIC would continue to put "obstacles in the way" of this project, but worried that "we're running out of excuses." However, with a new PC now in place (ref A), local political contacts indicate that the PC could seek substantial changes to BIC's composition.

It is hard to say whether a Maliki-dominated State of Law coalition would allow such a project or not.

Biographical note

¶9. (C) Ihsan Abdul-Jabar is a biochemical engineer. Before he took up his position at BIC in 2006, he was an engineer at Southern Oil Company (SOC). He has also worked as an oil consultant, as well as an assistant to former Governor Mohammed Wa'eli on reconstruction and infrastructure issues. While he was nominated to his position at the BIC by Wa'eli's Fadhila Party and is close to Wa'eli, he is not politically oriented. It is unclear whether Ihsan will retain his position in the BIC when and if the new PC makes changes at the BIC. In any case, he can return to his position at SOC. Like former Governor Wa'eli, he has been described as pro-American, at least by the standards and context of Basrawi society. REO contacts indicate that he is about 32 years old.

Comment

¶10. (C) We cannot verify Ihsan's account, but his more general views about Iran generally track with those of other local contacts. Ihsan is also a longtime REO contact, who met us regarding another topic altogether (the Sports City development). Only at the end of the meeting was the Iran development project discussed. Ihsan's Fadhila party's anti-Iranian outlook must be taken into account, and its possible the BIC has other motives for stalling the project. But Ihsan appears at heart a technocrat. We will continue to follow the fate of the Iranian housing project.
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